



Interport Competition in a Single Market: Lessons from the Cases of the River Plate and Concepcion Port Ranges

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Abstract

The paper analyzes the evolution of strategies in port competition in a single market for two different cases. Firstly, the three container ports in the River Plate port range (Buenos Aires, Rio Grande and Montevideo) and, secondly, the Chilean Concepcion region port range (Lirquen, San Vicente, and Coronel).

For the first study case, the core hinterland extends throughout regions of Argentina, Uruguay and southern Brazil situated close to the River Plate, and the metropolitan areas of Buenos Aires and Montevideo. The extended hinterland reaches along the river system of the Uruguay and Paraguay-Paraná waterways, reaching as far as Paraguay, Bolivia and the North-East of Argentina. For the Chilean study case, the core hinterland cover one of the main economic area of the country, involving the Eighth and Ninth Regions. In both port ranges, the ports are considered to operate in a single market and the mentioned geographical settings create a competitive environment trough overlapping of hinterlands.

The recently rapidly expanding Brazilian Port Rio Grande leverages the competitive situation between the Ports of Buenos Aires and Montevideo in the River Plate port range, offering ample conditions to compete for cargo destined for the extended hinterland. The changing port performance between Lirquen and Sanvicente during the last years has turned them in an interesting study case about inter-port competition.

During the last years different strategies of port governance to cope with the changing conditions evolved in each port. A short empirical analysis on market power backed by a new institutional economics approach is used to understand the varying outcomes from the port devolution processes in each country and in this growing competitive environment.

Previous papers have focused on the development and emergence of hub ports in the region based on empirical data. We argue that the institutional approach and port governance strategies play a significant role and needs to be integrated in the analysis of port competitiveness. A satisfactory behavior of the infrastructure market (including port devolution matters) requires a smooth balance between the political stability and the flexibility needed to adapt industry conditions to changing circumstances. A successful balance is a function of the kind of relationships between stakeholders, making an environment able to promote the port development. This institutional characteristic is deeply related to the skill to balance the demands of the different groups involved, bringing a fine equilibrium between flexibility and certainty. Institutional weakness, however, may cause imbalances that allow for different kinds of opportunisms, promoting decisions that favor short-run interests at the expense of the interest of the whole society.

Conceptually, environment, stability, risk level or certainty, and intersectoral equilibrium are limited by the institutional endowment of the country, where the standards and rules of the game between actors, bureaucratic, private firms or social sectors, are crucial.



In the port sector, the standards and forms of relationships between customs, port authorities, port industry, operators, workers, shippers, etc. create different environments for competitive ports. This framework allows to understand the port performance on the basis of the institutional endowments, which include conflicts between the parties, the capacity of lobbying groups, the efficacy of policy designers and the mechanisms of understanding, conflict and cooperation that lead the final outcome towards a higher or lower overall performance. This also affects the design of regulatory instruments, the design of incentives and the scope of a port devolution process. In this regard a higher pro-competitiveness behavior of customs is decisive. This is especially interesting in this trilateral setting, because each port develops under different regulatory frameworks. Thus the paper asks if there is scope for cooperation next to competition creating a cooperative environment in a region which historically has rather been driven by lack of sympathy than integration between the countries.

This paper proposes that the institutional endowment plays a decisive role to reach the fine equilibrium towards a maximum success in a competitive environment. This decisive role of the institutional endowments originates from the fact that the institutional framework configures the fitting capacities in the relation between environment, strategy and structure as well as each institutional performance.